



Ongoing threat

VIOLENCE feels routine in Pakistan. The security situation deteriorated sharply in 2025, marking the fifth consecutive year of rising terrorism. According to the *Pakistan Security Report 2025* by PIPS, the country recorded 699 terrorist attacks, a 34pc increase over 2024. These attacks killed 1,034 people and injured 1,366, reflecting a 21pc rise in fatalities. Overall conflict-related violence — including terrorist attacks, counterterrorism operations, border clashes, and abductions — rose to 1,124 incidents, up 43pc from 2024. These incidents can no longer be viewed as setbacks. They point to a crisis that is expanding in scale and becoming harder to control.

The most striking shift is who is being targeted. Security personnel now make up a large share of those martyred in terrorist attacks. Police stations, patrols and checkpoints have come under repeated assault. Military units have also suffered. Terrorists appear focused on exhausting the state, stretching its forces thin and undermining morale. The return of suicide attacks, after some quieter years, reinforces this assessment. Such attacks require planning, resources and confidence, all signs of regrouping rather than desperation. The violence is also geographically concentrated. Almost all terrorist attacks took place in KP and Balochistan. In KP's southern districts, attacks on law-enforcement agencies have become common. In Balochistan, insurgents have expanded their tactics beyond hit-and-run attacks to include highway blockades, kidnappings and infrastructure sabotage. It has become clear that the western belt remains the country's main security fault line.

The state has responded with force. Counterterrorism operations increased sharply, killing over 1,000 militants. But this heavy reliance on kinetic action points to a deeper problem. Despite hundreds of operations, attacks are rising. Much of this violence is driven by religiously motivated terrorist groups, particularly the TTP, which has regained much of its strength. Terrorists are adapting quickly, using better weapons, night-fighting equipment and drones, often exploiting local grievances, weak governance and gaps in intelligence coordination. The state, meanwhile, is locked into a cycle of reaction. There is danger in accepting this as the new normal. While civilian deaths fell slightly, violence against the state is growing. That should offer a lesson. A security policy built mainly on raids and reprisals cannot, on its own, deliver lasting peace, especially when ideological militancy, cross-border sanctuaries and political uncertainty remain unaddressed. More than firepower is needed to break this cycle. Political clarity, civilian governance in conflict-hit areas, and serious regional engagement are no longer optional. Nor are police reforms, intelligence sharing and judicial follow-through. Without them, the country risks sliding into a permanent state of insecurity.

Export decline

THE trend is unmistakable. The sharp fall of 20.4pc in Pakistan's export shipments last month underscores that the slump stems from structural factors and should no longer be dismissed as a temporary setback. Trade data shows that December marks the fifth consecutive monthly export decline — and the sharpest one — in the first half of the present fiscal. The sustained export contraction heightens the risks to the nation's external sector recovery as growing imports threaten to erode the gains achieved through demand compression over the past two years. Imports crossing the \$6bn mark last month for the first time during the current fiscal year signal that a policy shift towards trade normalisation and liberalisation have revived import demand faster than anticipated. In absolute terms, the \$118m boost in imports is quite modest given the country's size and consumption trends. But when juxtaposed with the sharp contraction in exports, it pushes the monthly trade deficit up by 25pc to \$3.7bn. The six-month cumulative picture of trade imbalance is even more worrisome. The \$19.2bn trade deficit posted in the July-December period is 35pc higher than last year.

Pakistan's poor export performance has always remained the weakest link in its external sector stability chain. It has become even more pronounced in recent years amid drying foreign official and private flows, which successive governments used to prop up the feeble balance-of-payments position. The State Bank may use strong remittances and its dollar purchases to finance the trade gap and boost reserves for as long as it can. But reliance on this strategy to offset a structurally widening trade gap has its own risks as it leaves the external account vulnerable to geopolitical shocks and host-country labour market changes. Moreover, sustained intervention to build reserves tightens domestic liquidity and fuels exchange rate pressures. The deteriorating export performance is not a threat only for external sector stability; it also forces policymakers to suppress growth to ward off yet another balance-of-payments crisis. If anything, the latest trade numbers expose a disconnect between stabilisation and sustainability. The economy has moved from crisis management, but has yet to transition to an export-led growth path. Without energy, industrial and trade reforms to improve export competitiveness, the current economic recovery will remain fragile and growth subdued.

Playing host

THE new year has begun on a promising note for women's cricket in Pakistan. Pakistan Cricket Board chairman Mohsin Naqvi has set himself the target of delivering a memorable Women's Twenty20 World Cup in 2028. The tournament was awarded to Pakistan as compensation after it allowed India to play its Champions Trophy matches last year on neutral venues; it will be the first major ICC women's tournament hosted by the country. It will also be the first World Cup Pakistan will host since it co-hosted the 1996 Men's One-day International World Cup. Mr Naqvi stated this week that the upgradation work in stadiums across the country was aimed at holding the women's tournament in a befitting manner. Playing host will give a boost to women's cricket in the country; Pakistan has already witnessed the positive impact it has on the team. Pakistan held the qualifiers for last year's Women's ODI World Cup and won all the matches to book a spot at the tournament in India and Sri Lanka. Home-ground advantage then spurred India to their maiden Women's World Cup crown last year.

But the impact of hosting goes far beyond performance on the pitch. Most importantly, it inspires future generations. Witnessing a tournament so closely will inspire young girls to take up the sport, increasing participation from the grassroots. Not only that, it will also bring increased investment to women's cricket, helping build a stronger structure, and lay a solid foundation for growth. World Cup hosting leaves behind a legacy and it is heartening to see that Mr Naqvi has made it his primary objective. With the Women's T20 World Cup in focus, it is also expected that the development will be a push towards the launch of the women's edition of the Pakistan Super League. That will be a significant step towards equal opportunity and pay parity between men and women players in the country.

OPINION



BY MALEEHA LODHI

A national agenda for 2026

Overlapping challenges facing the country are a test of leadership for all political stakeholders.

THE start of the new year is an apt time to look ahead at the overlapping challenges the country faces, identify the core ones and consider what should be done. Needed is a national agenda on which to build a political consensus to help position the country on a sustainable path to durable political and economic stability.

The first order of business should be to establish a calm and peaceful political environment by a truce between the government and opposition. A divided and polarised nation cannot be a stable country. Hard as it may be, given the lack of trust, political parties and other stakeholders should try to de-escalate unending tensions and confrontation that create so much uncertainty and disruption in the country.

PTI seems willing for a dialogue with a government it has never recognised as legitimate. This creates an opportunity that may not last long. PPP leader Bilawal Bhutto-Zardari's recent statement calling for "political reconciliation" is a positive move that should be taken forward.

The government has offered talks from time to time but never shown enough seriousness. It has usually accompanied such 'overtures' with rhetoric that demonises the opposition. Moreover, the way it has used parliament as a rubber stamp, bulldozed constitutional amendments through the legislature to undermine an independent judiciary and cracked down on opposition and dissent has laid bare its disregard rather than respect for democracy.

Of course, the elephant in the room is the establishment, which seems unreconciled to the idea of an accommodation between the government and opposition. It would much rather have the government keep the opposition off balance and under unrelenting pressure. Recent statements and pressers by the military spokesman taking aim at PTI have been harder-hitting than in the past. This doesn't suggest softening in the establishment's stance on encouraging a government-opposition *modus vivendi*.

The opposition represents a large section of society and enjoys significant electoral support across the country. Actions to exclude it from the political process and repress it do nothing to create political stability. Unilateral rule not only erodes democracy but also undermines effective governance. The country's federal nature makes it imperative to operate the political system in an inclusive way,

not least because the centre has to work with and not against opposition-run provinces.

Obviously, economic revival must be on top of the national agenda. While the government has done a reasonable job at macroeconomic stabilisation with the help of an IMF bailout and other external resources, this is a short-term gain and rests on unsustainable factors (borrowing and loan rollovers from friendly countries). The debt burden is high and foreign exchange reserves low in the face of heavy external financing needs ahead (around \$23 billion over the next five years). Meaningful reforms to address the economy's structural problems in the taxation system, expenditure outlays and energy sector are still not in place. The privatisation of PIA is a positive development but there is a long way to go to privatise other loss-making state-owned enterprises that are such a financial drain on the exchequer.

There is as yet no credible plan to help Pakistan break out of the trap of anaemic growth, low savings and investment, high deficits, heavy borrowing and growing indebtedness. Investment, including FDI, remains stagnant. It is widely agreed that Pakistan's growth model isn't working. Short-lived growth booms predicated on domestic and foreign borrowing are unviable. Unless this dysfunctional economic strategy changes the transition from stabilisation to growth and investment will not happen. The various stakeholders should put their heads together to frame an economic plan to tackle, not postpone structural problems and evolve a new growth model. An honest diagnosis about why economic growth has been anaemic for four decades is essential.

Investment in human development should receive high priority in the national agenda. But it doesn't, despite the fact that the country's growth and development prospects are severely constrained by lack of investment in human capital. In fact, the country today is in the throes of a human development crisis. This is reflected in deterioration in recent years in almost all indicators of literacy, education, health, poverty, gender disparity and other aspects of human welfare. That over 20 million children still have no access to school is a national scandal. The government has twice declared an education emergency but then taken no action. Literacy is stagnant at 60 per cent, which means 40pc of our

population is illiterate. Economic progress cannot be achieved with this level of illiteracy.

The scale of poverty is also alarming. It has risen to 44pc according to the World Bank. Health indicators are equally disturbing with health outcomes some of the worst in South Asia. A disturbing phenomenon and consequence of malnutrition and poverty is child stunting. According to a WB report, around 40pc of Pakistani children under five are stunted — a shocking number.

The uncontrolled rise in population and lack of government attention to this consequential issue are feeding into and exacerbating Pakistan's crisis in human development. Population growth at around 2.5pc annually means roughly six million children are added to the population every year. This has far-reaching social and economic consequences. These numbers far exceed our resources and are putting enormous strain on the country's physical infrastructure, job markets and health and education facilities at a time when the economy is not growing.

Population planning policies are urgently needed. Pakistan's regional peers have almost all successfully implemented family planning policies. Pakistan hasn't. Unless the country implements a comprehensive population control policy, whose elements are well-known, a demographic disaster awaits the country. An uneducated and underemployed population boom amidst a youth bulge without adequate opportunities being available is a recipe for social and political instability.

Addressing the security challenge from militancy and terrorism should obviously have urgent priority. Militant violence escalated last year with terrorism-related fatalities reaching a decade high. A comprehensive, whole-of-nation approach is needed in which sole reliance is not placed on kinetic actions but that also involves socioeconomic and political measures well as local community support.

These challenges present a test of leadership for all political stakeholders. Can they rise above their narrow interests to deal purposefully with issues that will determine the country's fate and fortunes? ■

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R. Naqvi Bhagwan



BY UMAIR JAVED

A lost decade

STUDENTS of late-20th-century politics and history might recall that the term 'Lost Decade' is used to describe the 1980s in both Latin America and sub-Saharan Africa. Though of qualitatively different consequences, economic crises induced by an inability to service foreign debt eroded incomes and crashed growth rates in these two regions.

In Africa, poverty rates went up and poor countries faced stark consequences of disease and malnutrition. In Latin America, the expected transition to upper middle- and high-income status never transpired. Deindustrialisation and stagnant incomes became the norm, leading to what economists now call the 'middle income trap'. It is of some note that this decade also coincided with entrenched authoritarianism (of the military dictatorship variant) and heightened state repression in both regions, much of it in service of US imperial interests.

While Pakistan's economy is no stranger to boom-bust cycles, a prolonged period without adequate real income growth has been a rarity. It is true that since the early 2000s, Pakistan's economy has failed to grow at the same pace as comparator economies. It is also true that much of this lag is tied to domestic political economy dysfunction, given how others in the region appear to be doing better. But the general crisis has been of comparatively sluggish growth (ie, averaged out spurts and troughs), rather than none at all, especially in labour incomes.

That is until this preceding decade (2015-2025). Analysis of recently released *Labour Force Survey (LFS)* data by economist Ahmed Pirzada and others shows that the last 10 years have seen no labour income growth in real terms. From a baseline of 2015, inflation-adjusted labour incomes (wages) rose by about 15 per cent over a four-year period till 2019 and have since then crashed back to 2015 levels in the subsequent six years.

Much of this is attributable to the inflationary crisis that started in 2019 and escalated between 2021 and 2023 before petering out in the last two years. Average inflation over this time was 15.1 per cent per annum, at least seven percentage points higher than Pakistan's historical average.

The trend of income erosion in real terms is also reaffirmed by the recently released *Household Integrated Economic Survey (HIES)* data, published after a five-year gap. While the survey itself only reports nominal income, adjusting it for inflation confirms the same story as the *LFS* data, with at least a 17pc erosion on average since 2019.

Parsing through the *HIES* data also shows a few more interesting trends. The first is that purchasing power stagnation (over a 10-year horizon) or erosion (over a five-year horizon) varied between urban and rural households. The former experienced much greater erosion than the latter. In fact, the difference in nominal wage growth between average rural and urban incomes was nearly 20pc.

Inflation may have subsided since 2024 but dynamism in the economy is still missing.

One can speculate on the causes behind this divergence, but in part it reflects that economic shocks, including those induced by Covid-19, impacted urban households in myriad ways. It also shows that increased rates of urbanisation combined with labour absorption in low-wage, low-productivity sectors, as shown in the recent *LFS* data such as construction, retail and wholesale trade, and personal and community services, are generating a new 'precariat' class that is far more vulnerable to inflationary crises.

Relatedly, there is an inequality story at play here as well. If one looks at nominal income growth in the past five years, it was highest for those in the top-most consumption/income quintile and lowest for those in the bottom, across both urban and rural areas. So not only is there widespread erosion of purchasing power, but it is far more operative among low-income households.

Some back-of-the-envelope calculations show that urban households in the top-most quintile lost 11pc of their purchasing power, while urban

households in the bottom-most quintile lost 21pc of their purchasing power during the same period. Coupled with faster growth in top-quintile consumption, exacerbating inequality now goes hand in hand with increased precarity.

This data affirms what many have personally witnessed, felt, and experienced in the last few years. Economic opportunities have shrunk, household budgets have become considerably more constrained, and families teetering on the brink have been pushed into poverty. The lower middle- and middle-income segment has borne the ignominy of rapid downward mobility, while low-income households have become further entrapped in poverty.

Inflation may have subsided since 2024 but dynamism in the economy is still missing. *LFS* data shows a structural transformation that is pushing people out of agriculture and into waged work. But the destination of this waged work is various service sector industries, most of which do not promise stability, higher productivity, or greater economic mobility. An increasingly large number is now reliant on extended assistance to meet basic consumption requirements, from both the government and informal or family sources.

While it is politically useful and justifiable to blame one specific government or another for inducing a lost decade, the fact is that each government in this period (three in total) has inherited a balance-of-payments crisis, each has had to pursue macroeconomic stabilisation under IMF tutelage, and each has taken a series of expedient decisions that hollow out prospects for sustained growth in the future.

Such shared failure, thus, is a failure to correct dysfunction. And in turn, this failure is rooted in the absence of a viable political project that puts broad-based, welfare-enhancing growth as its primary objective. Instead, Pakistanis have to suffer through the pantomime of short-term geo-strategic rent-seeking and the subsequent distribution of those rents to a narrow sliver of the population largely to keep a particular set of actors and their affiliated institution in power. ■

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